

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Kinross Charter Township	County Chippewa
Fiscal Year End March 31, 2007	Opinion Date June 27, 2007	Date Audit Report Submitted to State September 20, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State Mi
		Zip 49788	
Authorizing CPA Signature <i>Kenneth A. Talsma</i>		Printed Name Kenneth A. Talsma	License Number 1101024989

**CHARTER TOWNSHIP OF KINROSS, MICHIGAN**

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**BASIC FINANCIAL STATEMENTS**

March 31, 2007

**CHARTER TOWNSHIP OF KINROSS, MICHIGAN**

**ORGANIZATION**

**MEMBERS OF THE CHARTER TOWNSHIP BOARD**

Supervisor	Jason Oberle
Treasurer	Vicki Ulrich
Clerk	Marvin Besteman Jr.
Trustee	Ed DeWitt
Trustee	Herb Henderson
Trustee	Fred McClendon
Trustee	Dan Mitchell

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Charter Township of Kinross, Michigan  
Kincheloe, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Charter Township of Kinross, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kinross, Michigan, as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2007 on our consideration of the Charter Township of Kinross, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Kinross, Michigan's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

June 27, 2007

## **Management's Discussion and Analysis**

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**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements. (A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Charter Township of Kinross, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.)

**The Township as a Whole**

The Township's combined net assets decreased 1.9% from a year ago, decreasing from \$12,230,839 (after prior period adjustment) to \$11,996,702. As we look at the governmental activities separately from the business-type activities, we can see that net assets of the governmental activities experienced an increase of \$54,519 during the year (1.5% increase) primarily due to Township Hall improvements and reduction in debt. The business-type activities experienced a \$288,656 (3.4%) decrease in net assets.

In a condensed format, the table below shows the net assets as of March 31, 2007 and 2006.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current Assets	\$ 1,410,052	\$ 1,186,519	\$ 1,413,526	\$ 1,226,847	\$ 2,823,578	\$ 2,413,366
Capital Assets	<u>2,512,341</u>	<u>2,707,595</u>	<u>7,210,093</u>	<u>7,668,438</u>	<u>9,722,434</u>	<u>10,376,033</u>
Total Assets	<u>3,922,393</u>	<u>3,894,114</u>	<u>8,623,619</u>	<u>8,895,285</u>	<u>12,546,012</u>	<u>12,789,399</u>
Current Liabilities	58,218	73,227	157,441	118,967	215,659	192,194
Long-Term Debt Outstanding	<u>97,468</u>	<u>108,699</u>	<u>236,183</u>	<u>257,667</u>	<u>333,651</u>	<u>366,366</u>
Total Liabilities	<u>155,686</u>	<u>181,926</u>	<u>393,624</u>	<u>376,634</u>	<u>549,310</u>	<u>558,560</u>
Net Assets						
Invested in Capital Assets -						
Net of Debt	2,447,699	2,631,369	6,984,453	7,439,981	9,432,152	10,071,350
Unrestricted (Deficit)	<u>1,319,008</u>	<u>1,080,819</u>	<u>1,245,542</u>	<u>1,078,670</u>	<u>2,564,550</u>	<u>2,159,489</u>
Total Net Assets	<u>\$ 3,766,707</u>	<u>\$ 3,712,188</u>	<u>\$ 8,229,995</u>	<u>\$ 8,518,651</u>	<u>\$ 11,996,702</u>	<u>\$ 12,230,839</u>

# Charter Township of Kinross, Michigan

## Management's Discussion and Analysis March 31, 2007

The current level of unrestricted net assets for our governmental activities stands at \$1,319,008, or about 64% of expenses. This is within the targeted range set by the Township Board of Trustees during its last budget process.

The following table shows the activities of the Township.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program Revenues						
Charges for Services	\$ 1,030,421	\$ 1,100,511	\$ 2,097,039	\$ 2,170,527	\$ 3,127,460	\$ 3,271,038
Operating Grants and Contributions	112,070	163,122	-	-	112,070	163,122
General Revenues						
Property Taxes	402,063	385,385	-	-	402,063	385,385
Federal, State, Local - General	3,155	3,037	-	-	3,155	3,037
State Revenue Sharing	500,349	507,577	-	-	500,349	507,577
Interest and Rents	150,015	8,727	-	-	150,015	8,727
Interest on Deposits	25,970	17,385	50,789	34,912	76,759	52,297
Investment Earnings (Loss)	-	-	22,626	(16,473)	22,626	(16,473)
Gain on Disposal of Capital Assets	-	70,000	10,589	30,177	10,589	100,177
Transfers	(99,550)	(78,167)	99,550	78,167	-	-
Total Revenues	<u>2,124,493</u>	<u>2,177,577</u>	<u>2,280,593</u>	<u>2,297,310</u>	<u>4,405,086</u>	<u>4,474,887</u>
Program Expenses						
Legislative	10,613	10,910	-	-	10,613	10,910
General Government	382,933	425,575	-	-	382,933	425,575
Public Safety	330,145	317,196	-	-	330,145	317,196
Health and Welfare	1,000,351	969,658	-	-	1,000,351	969,658
Recreation	55,458	151,704	-	-	55,458	151,704
Public Works	47,049	119,831	-	-	47,049	119,831
Interest	3,073	3,271	-	-	3,073	3,271
Other Expenses	240,352	112,997	-	-	240,352	112,997
Recreation Center	-	-	124,137	150,732	124,137	150,732
Parks and Recreation	-	-	22,805	-	22,805	-
Chippewa County Fair Grounds	-	-	93,827	94,777	93,827	94,777
Golf Course	-	-	444,218	454,103	444,218	454,103
Public Works	-	-	1,884,262	1,783,123	1,884,262	1,783,123
Total Expenses	<u>2,069,974</u>	<u>2,111,142</u>	<u>2,569,249</u>	<u>2,482,735</u>	<u>4,639,223</u>	<u>4,593,877</u>
Changes in Net Assets	54,519	66,435	(288,656)	(185,425)	(234,137)	(118,990)
Beginning Net Assets	3,712,188	5,524,700	8,518,651	8,704,076	12,230,839	14,228,776
Prior Period Adjustment	-	(1,878,947)	-	-	-	(1,878,947)
Ending Net Assets	<u>\$ 3,766,707</u>	<u>\$ 3,712,188</u>	<u>\$ 8,229,995</u>	<u>\$ 8,518,651</u>	<u>\$ 11,996,702</u>	<u>\$ 12,230,839</u>

**Governmental Activities**

The Township's Revenues decreased by approximately 2.4% during the fiscal year 2006-07 primarily due to a reduction in State and Federal grants and no sale of capital assets.

Expenses decreased by about 2.0% compared to the previous year. A reduction in State grants did not allow the Township to spend as much on capital improvement as in the previous year. Also, the Township did fewer road paving projects than the year before.

In December 2006, Kinross EMS received a 2% allocation from the Sault Ste. Marie Tribe of Chippewa Indians, in the amount of \$54,000, to be used to purchase a new ambulance rig.

State-shared revenue sharing is still frozen by the legislature. Considering the fact the state is continuing to experience budget shortfalls, the potential exists for further cuts of revenue sharing in the future.

Not to be forgotten is currently legislation, HB 4780, which seeks to eliminate the statutory responsibilities of township government and transfer them to county government. It is important that the township officials, staff, and citizens remind their legislators of the importance of having the decisions made within their community.

**Business-Type Activities**

The Township's business-type activities include the Fairgrounds, the Recreation Center, Parks, and the two largest being the Public Works and Golf Course funds.

The Oaks at Kincheloe continues to be one of the premier golf courses in the EUP. Revenue in the Golf Course Fund for 2006-07 was up over 7% compared to the year before.

Operating expenses for the Department of Public Works increased by 5.6%, while revenue decreased 2.0%, compared to last year. Since 2001, expenses for DPW have increased 22.4%, with revenue increasing only 2.2%. The two largest cost increases have been for sewer treatment chemicals and liability and worker's comp insurance, with both areas increasing by well over 50% during that time. While it is necessary to keep an eye on the financial condition of this department, the Township Board has decided at this time to keep Kincheloe's water and sewer rates where they are, which is among the lowest in the State of Michigan.

**The Township's Funds**

Our analysis of the Township's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds for 2007 include the General Fund, Ambulance Fund, Police Fund, Golf Course Fund, and Public Works Fund.

**General Fund Budgetary Highlights**

Over the course of the year, the Township Board amended the budget to take into account various events that affected the budget during the year. Increased costs for sewage treatment, sewage sludge removal, and legal fees all required adjustments to the budget.

Other adjustments were made throughout the course of the fiscal year primarily due to receiving grants and donations which had an impact on the improvement and operations of the following funds; Fire, Ambulance, Recreation Center, and Police; primarily by providing funds for the replacement of capital goods and the purchase of small equipment.

### **Capital Asset and Debt Administration**

It is important to note in this section, the Township has a Public Improvement Fund which requires its expenditures to be on capital assets, such as building or other public improvements defined by state law.

At the end of the 2006-07 fiscal year the Township had \$9,722,434 invested in a broad range of capital assets, including buildings, police, ambulance & fire equipment, and water and sewer infrastructure. The total debt that the Township is carrying in the amount of \$290,282 is lower than most municipalities, which gives us flexibility for the future and does not burden our budget with interest payments.

The Township has reduced the amount of its debt by about \$80,000 of the total debt. This action was taken primarily to provide a more reasonable debt burden upon short term capital assets such as ambulances.

### **Economic Factors and Next Year's Budgets and Rates**

A major concern for the future continues to be state-shared revenues. Future cuts of state-shared revenues to the township will force reductions on already strained township services and may even cause the elimination of some.

The increase in the price of gasoline over the last few years has had a significant impact on the Township budget. Since 2003, the price has increased by 62%, causing the Township to spend over \$20,000 more for fuel this year than it did in the 2003-04 fiscal year.

The Township's total balance of funds has increase consistently since 2005. Although this provides stability for future years it is important to understand that the loss of prison work crews, state and federal funding sources, and Michigan's economic condition are critical in the township's existence.

### **Township Security**

It is important to recognize that a changing economic climate creates changes in procedures and staff. Fortunately, the new procedures provide additional layers of accountability along with additional verification of activities which are supported by a trail of documents. The primary reasons for the procedure changes are to provide a more accountable system of governance and administration.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any question about this report or need additional information, we welcome you to contact the township office.

## **Basic Financial Statements**

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# Charter Township of Kinross, Michigan

## Statement of Net Assets

March 31, 2007

	Primary Government		
	Governmental	Business-type	Totals
	Activities	Activities	
<b>ASSETS:</b>			
Current Assets:			
Cash & Investments - Unrestricted	\$ 1,135,060	\$ 1,158,347	\$ 2,293,407
- Restricted	-	8,655	8,655
Receivables:			
Accounts (Net)	178,236	156,104	334,340
Interest	2,870	15,228	18,098
Lease	1,668	-	1,668
Due from Governmental Units	64,041	-	64,041
Inventory	-	43,578	43,578
Prepaid Expenses	23,329	30,084	53,413
Other Assets	4,848	1,530	6,378
Noncurrent Assets:			
Capital Assets Not Depreciated	463,410	491,317	954,727
Capital Assets (Net of Accumulated Depreciation)	2,048,931	6,718,776	8,767,707
<b>TOTAL ASSETS</b>	<b>\$ 3,922,393</b>	<b>\$ 8,623,619</b>	<b>\$ 12,546,012</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	\$ 29,763	\$ 81,951	\$ 111,714
Accrued Interest Payable	-	4,066	4,066
Due to Governmental Units	-	11	11
Other Liabilities	21,813	15,922	37,735
Notes Payable	4,500	-	4,500
Leases Payable	2,142	19,997	22,139
Deferred Revenue	-	7,494	7,494
Bonds Payable	-	28,000	28,000
Noncurrent Liabilities:			
Notes Payable	58,000	-	58,000
Leases Payable	-	13,643	13,643
Bonds Payable	-	164,000	164,000
Compensated Absences	39,468	58,540	98,008
<b>TOTAL LIABILITIES</b>	<b>155,686</b>	<b>393,624</b>	<b>549,310</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets (Net of Related Debt)	2,447,699	6,984,453	9,432,152
Unrestricted	1,319,008	1,245,542	2,564,550
<b>TOTAL NET ASSETS</b>	<b>\$ 3,766,707</b>	<b>\$ 8,229,995</b>	<b>\$ 11,996,702</b>

# Charter Township of Kinross, Michigan

## Statement of Activities For the Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
Legislative	\$ 10,613	\$ -	\$ -	\$ (10,613)	\$ -	\$ (10,613)
General Government	382,933	27,198	-	(355,735)	-	(355,735)
Public Safety	330,145	1,002,181	93,889	765,925	-	765,925
Health & Welfare	1,000,351	-	-	(1,000,351)	-	(1,000,351)
Recreation	55,458	35	18,181	(37,242)	-	(37,242)
Public Works	47,049	1,007	-	(46,042)	-	(46,042)
Interest	3,073	-	-	(3,073)	-	(3,073)
Other Expenses	240,352	-	-	(240,352)	-	(240,352)
Total Governmental Activities	2,069,974	1,030,421	112,070	(927,483)	-	(927,483)
<b>Business-type activities:</b>						
Recreation Center	124,137	29,084	-	-	(95,053)	(95,053)
Parks and Recreation	22,805	28,370	-	-	5,565	5,565
Chippewa County Fairgrounds	93,827	23,983	-	-	(69,844)	(69,844)
Golf Course	444,218	452,118	-	-	7,900	7,900
Public Works	1,884,262	1,563,484	-	-	(320,778)	(320,778)
Total Business-type Activities	2,569,249	2,097,039	-	-	(472,210)	(472,210)
Total Primary Government	\$ 4,639,223	\$ 3,127,460	\$ 112,070	(927,483)	(472,210)	(1,399,693)
<b>General Revenues:</b>						
Taxes				402,063	-	402,063
Federal, State, & Local - General				3,155	-	3,155
State Revenue Sharing				500,349	-	500,349
Interest and Rent				150,015	-	150,015
Interest on Deposits				25,970	50,789	76,759
Gain (Loss) on Disposal of Capital Assets				-	22,626	22,626
Investment Earnings (Loss)				-	10,589	10,589
Transfers				(99,550)	99,550	-
<b>Total General Revenues and Transfers</b>				982,002	183,554	1,165,556
Changes in Net Assets				54,519	(288,656)	(234,137)
Net Assets - Beginning				3,712,188	8,518,651	12,230,839
<b>Net Assets - Ending</b>				<u>\$ 3,766,707</u>	<u>\$ 8,229,995</u>	<u>\$ 11,996,702</u>

# Charter Township of Kinross, Michigan

## Balance Sheet Governmental Funds March 31, 2007

	General	Ambulance Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash & Investments - Unrestricted	\$ 547,669	\$ 17,887	\$ 199,494	\$ 370,010	\$ 1,135,060
Receivables:					
Accounts (Net)	129	177,757	-	350	178,236
Interest	2,870	-	-	-	2,870
Lease	-	-	-	1,668	1,668
Due from Other Funds	4,848	-	-	-	4,848
Due from Governmental Units	36,488	-	24,299	3,254	64,041
Prepaid Expenses	7,928	6,744	3,791	4,866	23,329
<b>TOTAL ASSETS</b>	<u>\$ 599,932</u>	<u>\$ 202,388</u>	<u>\$ 227,584</u>	<u>\$ 380,148</u>	<u>\$ 1,410,052</u>
<b>LIABILITIES:</b>					
Accounts Payable	\$ 10,914	\$ 11,293	\$ 1,274	\$ 6,282	\$ 29,763
Other Liabilities	4,763	9,372	3,339	4,339	21,813
<b>TOTAL LIABILITIES</b>	<u>15,677</u>	<u>20,665</u>	<u>4,613</u>	<u>10,621</u>	<u>51,576</u>
<b>FUND BALANCES:</b>					
Unreserved:					
Undesignated	519,448	181,723	222,971	369,527	1,293,669
Designated for Capital Projects	64,807	-	-	-	64,807
<b>TOTAL FUND BALANCES</b>	<u>584,255</u>	<u>181,723</u>	<u>222,971</u>	<u>369,527</u>	<u>1,358,476</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 599,932</u>	<u>\$ 202,388</u>	<u>\$ 227,584</u>	<u>\$ 380,148</u>	
<b>Reconciliation to amounts reported for governmental activities in the statement of net assets:</b>					
Capital assets used by governmental activities are not financial resources and therefore are not reported in the funds.					2,512,341
Compensated absences liability not recognized in the funds.					(39,468)
Long term notes payable for governmental activities not due and payable in the current period.					(62,500)
Capital leases payable for governmental activities not due and payable in the current period.					(2,142)
<b>Net assets of governmental activities</b>					<u>\$ 3,766,707</u>



# Charter Township of Kinross, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended March 31, 2007

	General	Ambulance Fund	Police Fund	Nonmajor Governmental Funds	Totals Governmental Funds
<b>REVENUES:</b>					
Taxes	\$ 113,984	\$ 4,726	\$ 203,139	\$ 80,214	\$ 402,063
Licenses & Permits	587	-	-	-	587
Federal Sources	-	-	600	-	600
State Sources	503,504	-	19,414	32,431	555,349
Local Sources	-	59,625	-	-	59,625
Charges for Services	4,856	938,603	1,649	2,525	947,633
Interest & Rentals	25,970	26	7,202	143,487	176,685
Refunds & Reimbursements	14,293	27,448	29,476	1,881	73,098
Other	4,916	-	1,982	1,505	8,403
<b>TOTAL REVENUES</b>	<b>668,110</b>	<b>1,030,428</b>	<b>263,462</b>	<b>262,043</b>	<b>2,224,043</b>
<b>EXPENDITURES:</b>					
Legislative	10,613	-	-	-	10,613
General Government	293,036	-	-	-	293,036
Public Safety	-	-	248,003	54,005	302,008
Health & Welfare	-	952,653	-	-	952,653
Recreation	-	-	-	11,118	11,118
Public Works	2,012	-	-	45,037	47,049
Capital Outlay	18,865	-	7,949	-	26,814
Debt Service	-	13,799	-	858	14,657
Other Expenditures	127,036	-	-	104,285	231,321
<b>TOTAL EXPENDITURES</b>	<b>451,562</b>	<b>966,452</b>	<b>255,952</b>	<b>215,303</b>	<b>1,889,269</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>216,548</b>	<b>63,976</b>	<b>7,510</b>	<b>46,740</b>	<b>334,774</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating Transfers In	5,400	32,432	5,140	38,890	81,862
Operating Transfers Out	(178,912)	-	-	(2,500)	(181,412)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>43,036</b>	<b>96,408</b>	<b>12,650</b>	<b>83,130</b>	<b>235,224</b>
<b>FUND BALANCES, APRIL 1</b>	<b>541,219</b>	<b>85,315</b>	<b>210,321</b>	<b>286,397</b>	<b>1,123,252</b>
<b>FUND BALANCES, MARCH 31</b>	<b>\$ 584,255</b>	<b>\$ 181,723</b>	<b>\$ 222,971</b>	<b>\$ 369,527</b>	<b>\$ 1,358,476</b>

# Charter Township of Kinross, Michigan

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## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2007

Net Changes in fund balances - total governmental funds	\$ 235,224
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures.

However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which depreciation expense (\$213,037) exceeded capital outlay \$26,810 and loss on disposal of (\$9,027).

(195,254)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment creates the following net change:

Compensated absences	2,965
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Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

11,584

Changes in net assets of governmental activities

\$ 54,519

**Charter Township of Kinross, Michigan****Statement of Net Assets  
Proprietary Funds  
March 31, 2007**

	Business-Type Activities			
	Enterprise Funds			Total
	Golf Course	Public Works	Nonmajor Enterprise Funds	
<b>ASSETS:</b>				
Cash & Investments - Unrestricted	\$ 47,727	\$ 992,697	\$ 117,923	\$ 1,158,347
- Restricted	8,655	-	-	8,655
Accounts Receivable (Net)	2,613	151,919	1,572	156,104
Interest Receivable	-	15,228	-	15,228
Inventory	43,072	-	506	43,578
Prepaid Expenses	2,694	24,295	3,095	30,084
Other Assets	1,530	-	-	1,530
Capital Assets, Net of Accumulated Depreciation	1,123,394	5,524,412	562,287	7,210,093
<b>TOTAL ASSETS</b>	<b>\$ 1,229,685</b>	<b>\$ 6,708,551</b>	<b>\$ 685,383</b>	<b>\$ 8,623,619</b>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 3,038	\$ 72,611	\$ 6,302	\$ 81,951
Accrued Interest Payable	4,066	-	-	4,066
Due to Governmental Units	-	-	11	11
Other Liabilities	1,610	12,175	2,137	15,922
Lease Payable - Current	2,714	-	-	2,714
Leases Payable	30,926	-	-	30,926
Deferred Revenue	-	7,494	-	7,494
Bonds Payable - Current	28,000	-	-	28,000
Bonds Payable	164,000	-	-	164,000
Compensated Absences	9,373	47,231	1,936	58,540
<b>TOTAL LIABILITIES</b>	<b>243,727</b>	<b>139,511</b>	<b>10,386</b>	<b>393,624</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets (Net of Related Debt)	897,754	5,524,412	562,287	6,984,453
Unrestricted	88,204	1,044,628	112,710	1,245,542
<b>TOTAL NET ASSETS</b>	<b>\$ 985,958</b>	<b>\$ 6,569,040</b>	<b>\$ 674,997</b>	<b>\$ 8,229,995</b>

# Charter Township of Kinross, Michigan

## Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended March 31, 2007

	Business-Type Activities			
	Enterprise Funds			
	Golf Course	Public Works	Nonmajor Enterprise Funds	Total
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 251,044	\$ 1,512,980	\$ 18,689	\$ 1,782,713
Interest & Rentals	105,070	20,190	50,459	175,719
Other Revenue	96,004	30,314	12,289	138,607
Total Operating Revenues	452,118	1,563,484	81,437	2,097,039
<b>OPERATING EXPENSES:</b>				
Salaries & Benefits	162,637	692,778	86,686	942,101
Supplies	84,503	153,888	10,220	248,611
Utilities	19,940	211,304	30,460	261,704
Other Services and Charges	40,571	237,596	25,509	303,676
Repair & Maintenance	47,981	122,414	5,877	176,272
Depreciation	70,697	441,933	66,407	579,037
Other Expenses	7,441	24,349	15,610	47,400
Total Operating Expenses	433,770	1,884,262	240,769	2,558,801
<b>OPERATING INCOME (LOSS)</b>	18,348	(320,778)	(159,332)	(461,762)
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest on Deposits	2,068	41,950	6,771	50,789
Interest Expense	(10,448)	-	-	(10,448)
Sale of Capital Assets	6,264	16,602	(240)	22,626
Unrealized Gain on Investments	-	9,387	1,202	10,589
Total Non-operating Revenues (Expenses)	(2,116)	67,939	7,733	73,556
Income (Loss) before Transfers	16,232	(252,839)	(151,599)	(388,206)
Operating Transfers In	-	-	178,503	178,503
Operating Transfers Out	-	-	(78,953)	(78,953)
<b>CHANGES IN NET ASSETS</b>	16,232	(252,839)	(52,049)	(288,656)
NET ASSETS, APRIL 1	969,726	6,821,879	727,046	8,518,651
<b>NET ASSETS, MARCH 31</b>	\$ 985,958	\$ 6,569,040	\$ 674,997	\$ 8,229,995

# Charter Township of Kinross, Michigan

## Statement of Cash Flows Proprietary Fund Types For the Year Ended March 31, 2007

	Business-Type Activities			
	Enterprise Funds			
	Golf Course	Public Works	Nonmajor Enterprise Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from Customers	\$ 449,505	\$ 1,563,412	\$ 81,143	\$ 2,094,060
Payments to Suppliers	(222,563)	(654,371)	(92,930)	(969,864)
Payments to Employees	(162,999)	(692,007)	(87,117)	(942,123)
Net Cash Provided (Used) by Operating Activities	63,943	217,034	(98,904)	182,073
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Operating transfers in	-	-	178,503	178,503
Operating transfers out	-	-	(78,953)	(78,953)
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	99,550	99,550
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Sale of Capital Assets	6,264	16,602	-	22,866
Purchase of capital assets	(46,264)	(142,206)	-	(188,470)
Lease Proceeds	35,015			35,015
Interest Payments	(10,448)	-	-	(10,448)
Principal Payments	(37,832)	-	-	(37,832)
Net Cash Provided (Used) by Capital and Related Financing Activities	(53,265)	(125,604)	-	(178,869)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	2,068	41,950	6,771	50,789
Net Change in Investments	-	9,387	1,202	10,589
Net Cash Provided (Used) by Investing Activities	2,068	51,337	7,973	61,378
Net Increase (Decrease) in Cash and Cash Equivalents	12,746	142,767	8,619	164,132
Balances - Beginning of the Year	43,636	849,930	109,304	1,002,870
Balances - End of the Year	\$ 56,382	\$ 992,697	\$ 117,923	\$ 1,167,002
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 18,348	\$ (320,778)	\$ (159,332)	\$ (461,762)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	70,697	441,933	66,407	579,037
Loss on Disposal of Capital Assets	-	67,535	-	67,535
Change in Assets and Liabilities:				
(Increase) Decrease in Assets:				
Accounts Receivable (Net)	(2,613)	4,519	22	1,928
Interest Receivable	-	(4,591)	-	(4,591)
Inventory	(19,583)	-	(316)	(19,899)
Prepays	(142)	1,248	(578)	528
Other Assets	(510)	-	-	(510)
Increase (Decrease) in Liabilities:				
Accounts Payable	(904)	21,442	(4,824)	15,714
Due to Other Governmental Units	-	-	8	8
Accrued Interest Payable	(1,183)	-	-	(1,183)
Other Liabilities	195	262	140	597
Compensated Absences	(362)	771	(431)	(22)
Deferred Revenue	-	4,693	-	4,693
Net Cash Provided (Used) by Operating Activities	\$ 63,943	\$ 217,034	\$ (98,904)	\$ 182,073

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
March 31, 2007**

	Agency	Private Purpose Pension Trust Fund
<b>ASSETS:</b>		
Cash and Investments - Unrestricted	\$ 8,905	\$ 675,848
<b>TOTAL ASSETS</b>	<u>\$ 8,905</u>	<u>\$ 675,848</u>
<b>LIABILITIES:</b>		
Due to Other Funds	\$ 4,848	\$ -
Due to Other Governmental Units	<u>4,057</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 8,905</u>	<u>-</u>
<b>NET ASSETS:</b>		
Held in Trust for Pension Benefits		<u>675,848</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u>\$ 675,848</u>

## Charter Township of Kinross, Michigan

### Statement of Changes in Fiduciary Net Assets Fiduciary Fund For the Year Ended March 31, 2007

	Private Purpose Pension Trust Fund
<b>ADDITIONS:</b>	
Contributions:	
Employer	\$ 53,069
Employee	5,732
Total Contributions	58,801
Investment Income:	
Net appreciation (depreciation) in fair value of investments	51,013
Total Additions	109,814
<b>DEDUCTIONS:</b>	
General and Administration:	
Benefits	31,296
Total Deductions	31,296
Net Increase	78,518
Net Assets, Beginning of the Year	597,330
Net Assets, End of the Year	\$ 675,848

## **Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Charter Township of Kinross, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

**A – Reporting Entity**

Charter Township of Kinross was organized under the provisions of the Michigan constitution. The Township is operated under a legislative form of government and provides services to its residents in many areas including: fire, ambulance, police protection, community development and enrichment, parks and recreation, public works, and general administrative services.

The Charter Township of Kinross has considered all potential units in evaluating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 37 of the Governmental Accounting Standards Board (GASB), The Financial Reporting Entity. The basic criteria include the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

**Component Units:**

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity as blended component units.

**Blended Component Units**

Kinross Township Building Authority – The Authority is an entity legally separate from the Township. The Authority is governed by a board appointed by the Kinross Township Board of Trustees and is reported as if it were part of the Township's operations because its primary purpose is the procurement and management of debt financing for the Township.

Kinross Township Economic Development Township – The Township is a legally separate non-profit Township whose primary purpose is to promote economic development in Kinross Township. The board of the Kinross Township Economic Development Township is appointed by the Kinross Township Board of Trustees. The Township's annual budget is subject to the approval of the Kinross Township Board of Trustees and is financially accountable to the Township.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Kinross Brownfield Redevelopment Authority – The Authority is an entity legally separate from the Township. The Authority is governed by a board appointed by the Kinross Board of Trustees and is reported as if it were part of the Township's operations because it is financially accountable to the Township. There has been no activity during fiscal year 2007.

**B – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Taxes Receivable – Current or Property Taxes**

The Charter Township of Kinross property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Charter Township of Kinross as of the preceding December 31<sup>st</sup>.

The 2006 taxable valuation of the Charter Township of Kinross totaled \$39,128,876 of which ad valorem taxes levied consisted of 1.6273 mills for the Township operating and 1.5000 mills for roads, raising \$63,674 and \$58,693, respectively. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable – current or as tax revenue.

The Township reports the following major governmental funds:

**General Fund**

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Ambulance Fund**

This fund accounts for operations that provide ambulatory services to the citizens of the Charter Township of Kinross, Michigan area, financed primarily by user charges.

**Police Fund**

This fund accounts for operations that provide public safety services to the citizens of the Kincheloe, Michigan area.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Township reports the following major enterprise funds:

**Golf Course Fund**

This fund accounts for operations that provide recreational services to area citizens, financed primarily by user charges.

**Public Works Fund**

This fund accounts for operations that provide water, sewer, and garbage collection services to citizens of the Kincheloe, Michigan area, financed primarily by user chargers.

Additionally, the Township reports the following fund types:

**Fiduciary Funds**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose, and agency). Because by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for user fees. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**D - Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade receivables are shown as net of allowance for uncollectible amounts.

Capital Assets – Capital assets, which include property, plant, equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Land Improvements	5 to 20 years
State Projects	20 to 30 years
Water System	5 to 50 years
Sewer System	5 to 50 years

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Compensated Absences - The Township employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service. The annual vacation benefits earned by each employee during the current year are credited to the employee at the end of each pay period. Employees are encouraged to use vacation benefits during the current year. The Township allows employees to accrue vacation up to a maximum of 240 hours. The Township's employment policies provide for sick leave benefits to be earned at the rate of four hours per every 80 hours worked. When Township employees separate from Township employment, the employee will receive payment for sick time for each day accumulated up to a maximum of 80 hours.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Inventories and Prepaids Items – Inventories are valued at the lower of cost or market using the average cost method for proprietary fund types. Inventories of governmental funds recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each March, after receiving input from the individual departments, the Board of Trustees prepares a proposed operating budget for the fiscal period commencing April 1 and lapses on March 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through a resolution passed by the Board of Trustees.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year-end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations that were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>
Cash and Investments -				
Unrestricted	\$ 1,135,060	\$ 1,158,347	\$ 2,293,407	\$ 684,753
Restricted	<u>-</u>	<u>8,655</u>	<u>8,655</u>	<u>-</u>
Total	<u>\$ 1,135,060</u>	<u>\$ 1,167,002</u>	<u>\$ 2,302,062</u>	<u>\$ 684,753</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Investments	\$ 1,159,336	\$ 675,848
Bank Deposits (checking and savings accounts, certificates of deposit)	1,142,125	8,905
Petty Cash and Cash on Hand	<u>601</u>	<u>-</u>
Total	<u>\$ 2,302,062</u>	<u>\$ 684,753</u>

Cash is restricted in the Golf Course Fund for purposes of repayment of the 2004 capital improvement bonds.

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
Investments:					
U.S. Treasury	\$ 1,136,026	\$ 159,753	\$ 331,124	\$ 275,605	\$ 369,544
Asset Backed	<u>23,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,310</u>
Total Investments	<u>\$ 1,159,336</u>	<u>\$ 159,753</u>	<u>\$ 331,124</u>	<u>\$ 275,605</u>	<u>\$ 392,854</u>

*Interest rate risk.* Through its investment policy, the Township manages its exposure risk to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio to one year or less.

*Credit risk.* State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.



**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

*Custodial credit risk.* Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or securities that are in the possession of an outside party.

*Custodial deposit credit risk.* Custodial deposit credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$2,108,675 of the Township's bank balance of \$2,508,675 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

**FAIR VALUE OF INVESTMENT ACTIVITY:**

Security	Stated Value	Fair Value 04/01/06	Purchase (Sale)	Fair Value 03/31/07
FNMA Corp Med-Term Note Due 3/22/17	25,000	24,688	-	25,047
FNMA Medium Term Note Due 5/3/22	25,000	24,656	-	25,008
FHLM Medium Term Note Due 7/26/27	50,000	48,188	-	48,793
FHLM Medium Term Note Due 8/22/22	49,750	48,730	-	49,039
FHLM Medium Term Note Due 12/6/17	60,000	56,250	-	57,671
FHLM Medium Term Note Due 3/15/18	45,000	41,135	-	42,111
FHLM Medium Term Note Due 6/15/15	19,900	18,154	-	18,554
FHLM Medium Term Note Due 10/15/29	5,000	4,873	-	4,873
Tenn Valley Auth Strips Due 11/01/12	27,465	28,404	-	30,679
FHLM Medium Term Note Due 7/15/23	20,000	18,255	-	18,546
FHLM Medium Term Note Due 8/15/18	25,000	24,125	-	24,463
FHLM Medium Term Note Due 6/16/09	20,005	18,887	-	19,315
FNMA Medium Term Note Due 6/24/18	20,005	18,525	-	19,313
FHLM Medium Term Note Due 10/15/22	20,055	18,550	-	18,804
FHLB Bond Due 12/19/11	20,005	18,781	-	19,238
FHLB Bond Due 3/9/10	20,000	19,331	-	19,650
FHLB Bond Due 4/1/10	24,992	23,938	-	24,406
FHLB Bond Due 7/16/18	14,742	14,133	-	14,507
FHLB Bond Due 12/17/19	19,705	19,238	-	19,706
FHLB Bond Due 3/3/25	38,905	37,725	-	38,662
Fed Farm Credit Banks Due 3/15/11	19,925	19,231	-	19,581
Fed Farm Credit Banks Due 8/16/10	38,005	37,193	-	37,632
FHLM Medium Term Note Due 8/15/14	40,000	38,701	-	39,204
FHLM Medium Term Note Due 2/15/15	20,000	19,137	-	19,491
FHLM Medium Term Note Due 3/15/15	20,000	19,208	-	19,553
FHLM Medium Term Note Due 3/15/20	26,000	24,155	-	24,616
FNMA Medium Term Note Due 3/4/24	54,000	50,727	-	52,009
FNMA Medium Term Note Due 2/25/25	20,000	18,050	-	18,581
FHLM Medium Term Note Due 3/15/25	20,000	18,645	-	18,883
FNMA Medium Term Note Due 3/18/25	20,000	18,625	-	18,944

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

**FAIR VALUE OF INVESTMENT ACTIVITY: (Continued)**

Security	Stated Value	Fair Value 04/01/06	Purchase (Sale)	Fair Value 03/31/07
FNMA Medium Term Note Due 01/26/11	20,000	19,781	-	19,931
FHLM Medium Term Note Due 5/15/14	16,985	16,793	-	16,895
FHLM Medium Term Note Due 10/1/14	29,667	28,713	-	29,308
FHLM Medium Term Note Due 6/8/15	25,005	24,236	-	24,421
FHLM Medium Term Note Due 3/15/16	20,000	19,682	-	19,809
FNMA Note Due 3/16/16	20,000	19,575	-	19,813
FNMA Note Due 4/7/16	48,880	47,703	-	48,672
FHLM Medium Term Note Due 2/15/19	12,647	12,252	-	12,463
FNMA Medium Term Note Due 6/9/20	20,005	18,913	-	12,474
FNMA Medium Term Note Due 5/30/23	10,304	10,175	-	19,407
FHLM Medium Term Note Due 7/15/24	29,105	27,600	-	10,529
FHLM Medium Term Note Due 3/15/26	18,953	18,000	-	28,687
FHLM Medium Term Note Due 10/15/29	4,842	4,775	-	18,186
FHLM Medium Term Note Due 12/15/2016	20,000	-	-	19,678
FNMA Medium Term Note Due 8/19/2020	9,705	-	-	9,628
FHLM Medium Term Note Due 12/15/2021	20,000	-	-	19,246
Gov. Natl. Mortgage Association CLBD Due 7/20/35	25,000	23,375	-	23,310

**Statutory Authority:**

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public Township.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits and investment policy are in accordance with statutory authority.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 463,410	\$ -	\$ -	\$ -	\$ 463,410
<i>Capital assets being depreciated:</i>					
Land improvements	314,592	12,220	-	4,284	331,096
Buildings and building improvements	3,460,888	6,640	-	-	3,467,528
Equipment	839,381	-	(4,500)	(3,255)	831,626
Office equipment	122,803	-	-	(400)	122,403
Vehicles	701,098	7,950	-	(20,905)	688,143
Subtotal	<u>5,438,762</u>	<u>26,810</u>	<u>(4,500)</u>	<u>(20,276)</u>	<u>5,440,796</u>
<i>Less accumulated depreciation for:</i>					
Land improvements	212,113	12,195	-	294	224,602
Buildings and building improvements	1,661,095	68,032	-	(14)	1,729,113
Equipment	618,543	69,005	(4,500)	(3,255)	679,793
Office equipment	103,190	5,945	-	(260)	108,875
Vehicles	599,636	57,860	-	(8,014)	649,482
Subtotal	<u>3,194,577</u>	<u>213,037</u>	<u>(4,500)</u>	<u>(11,249)</u>	<u>3,391,865</u>
Net capital assets being depreciated	<u>2,244,185</u>	<u>(186,227)</u>	<u>-</u>	<u>(9,027)</u>	<u>2,048,931</u>
Governmental activity capital assets – net of depreciation	<u>\$ 2,707,595</u>	<u>\$ (186,227)</u>	<u>\$ -</u>	<u>\$ (9,027)</u>	<u>\$ 2,512,341</u>

**NOTE 4 - CAPITAL ASSETS (Continued)**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balances</u>
<b>Business-type Activities:</b>					
<i>Capital assets not being depreciated:</i>					
Land	487,314	-	-	-	487,314
Construction in Process	-	4,003	-	-	4,003
	<u>\$ 487,314</u>	<u>\$ 4,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 491,317</u>
<i>Capital assets being depreciated:</i>					
Land improvements	1,883,159	15,892	(643)	-	1,898,408
Buildings and building improvements	6,618,336	-	(2,400)	-	6,615,936
Equipment	2,012,178	158,913	(140,211)	-	2,030,880
State projects	1,151,396	-	-	-	1,151,396
Water system	1,081,212	15,400	(6,217)	-	1,090,395
Sewer system	<u>2,725,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,725,280</u>
Subtotal	<u>15,471,561</u>	<u>190,205</u>	<u>(149,471)</u>	<u>-</u>	<u>15,512,295</u>
<i>Less accumulated depreciation:</i>					
Land improvements	1,038,687	45,801	(642)	-	1,083,846
Buildings and building improvements	3,015,847	203,418	(2,160)	-	3,217,105
Equipment	1,658,724	106,190	(51,490)	(15,447)	1,697,977
State projects	696,945	42,916	-	-	739,861
Water system	644,658	64,703	(6,217)	-	703,144
Sewer system	<u>1,235,577</u>	<u>116,009</u>	<u>-</u>	<u>-</u>	<u>1,351,586</u>
Subtotal	<u>8,290,438</u>	<u>579,037</u>	<u>(60,509)</u>	<u>(15,447)</u>	<u>8,793,519</u>
Net capital assets being depreciated	<u>7,181,123</u>	<u>(388,832)</u>	<u>(88,962)</u>	<u>15,447</u>	<u>6,718,776</u>
Business-type activities – net of depreciation	<u>\$ 7,668,437</u>	<u>\$ (384,829)</u>	<u>\$ (88,962)</u>	<u>\$ 15,447</u>	<u>\$ 7,210,093</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental Activities:</b>	
General Government	\$ 90,612
Public Safety	31,010
Health and Welfare	47,698
Recreation	<u>43,717</u>
Total Governmental Activities	<u>\$ 213,037</u>
<b>Business – type Activities:</b>	
Golf Course	\$ 70,697
Public Works	441,933
Recreation Center	15,960
Chippewa County Fairgrounds	45,639
Parks and Recreation	<u>4,808</u>
Total Business-type Activities	<u>\$ 579,037</u>

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The Township reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

		<b>DUE TO OTHER FUNDS</b>	
		General	
		Fund	Total
<b>DUE FROM OTHER FUNDS</b>	Agency Fund	\$ 4,848	\$ 4,848
	Total	\$ 4,848	\$ 4,848

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TRANSFERS OUT					
TRANSFERS IN		General Fund	Other Nonmajor Funds	All Other Nonmajor Enterprise Funds	Total
	General Fund	\$ -	\$ 2,500	\$ 2,900	\$ 5,400
	Ambulance Fund	32,432	-	-	32,432
	Police Fund	5,140	-	-	5,140
	All Other Nonmajor Governmental Funds	38,890	-	-	38,890
	All Other Nonmajor Enterprise Funds	102,450	-	76,053	178,503
	Total	\$ 178,912	\$ 2,500	\$ 78,953	\$ 260,365

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 6 - LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Township contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>							
USDA Loan	4.75%	2017	\$ <u>66,800</u>	\$ <u>-</u>	\$ <u>4,300</u>	\$ <u>62,500</u>	\$ <u>4,500</u>
Total Governmental Activities			\$ <u>66,800</u>	\$ <u>-</u>	\$ <u>4,300</u>	\$ <u>62,500</u>	\$ <u>4,500</u>
<b>Business-Type Activities</b>							
Series 2004 Refunding Bonds	2.85%	2008	84,000	-	27,000	57,000	28,000
Series 2004 Capital Improvement Bonds	4.125%-5.375%	2019	<u>135,000</u>	<u>-</u>	<u>-</u>	<u>135,000</u>	<u>-</u>
Total Business-Type Activities			\$ <u>219,000</u>	\$ <u>-</u>	\$ <u>27,000</u>	\$ <u>192,000</u>	\$ <u>28,000</u>

**NOTE 6 - LONG-TERM DEBT (Continued)**

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End December 31</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 4,500	\$ 2,862	\$ 28,000	\$ 8,131
2009	4,700	2,643	29,000	7,333
2010	4,900	2,415	10,000	6,507
2011	5,100	2,178	10,000	6,094
2012	5,400	1,929	11,000	5,669
2013-2017	30,900	5,470	61,000	20,485
2018-2020	<u>7,000</u>	<u>155</u>	<u>43,000</u>	<u>4,612</u>
Total	<u>\$ 62,500</u>	<u>\$ 17,652</u>	<u>\$ 192,000</u>	<u>\$ 58,831</u>

The interest expense from Business-type activities is totally included as direct expense of the Golf Course.

Total accrued sick leave and vacation at March 31, 2007 amounted to \$98,008 as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accrued Vacation	\$ 20,807	\$ 32,606	\$ 53,413
Accrued Sick Leave	18,458	25,786	44,244
Comp. Time	<u>203</u>	<u>148</u>	<u>351</u>
Total Compensated Absences	<u>\$ 39,468</u>	<u>\$ 58,540</u>	<u>\$ 98,008</u>

**NOTE 7 - CAPITAL LEASES**

The Township leases an ambulance and a beverage cart under capital leases. The yearly lease payments for the ambulance that is leased from Rudyard Township are 50% of the amount that is collected from Rudyard Township for each ambulance run, until the price of \$20,000 is met. The beverage cart has yearly lease payments of \$3,588, including an interest rate of 14.00%. The leases qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present values are as follows:

2008	\$ 23,783
2009	13,074
2010	<u>1,495</u>
Total minimum lease payments	38,352
Less amount representing interest	<u>(2,570)</u>
Present value of minimum lease payment	<u>\$ 35,782</u>

**NOTE 8 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for claims and participates in a risk pool for claims relating to the Township. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 9 - CONTINGENT LIABILITIES**

The Township has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at March 31, 2007.

**NOTE 10 - SEGMENT INFORMATION – ENTERPRISE FUND**

Segment information for the year ended March 31, 2007 is as follows:

	<u>Golf Course</u>
Nonoperating revenue (expense)	\$ (2,116)
Operating income (loss)	18,348
Changes in net assets	16,232
Operating revenues	452,118
Operating expenses	433,770
Operating transfers – net	-
Depreciation	70,697
Total assets	1,229,685
Current liabilities	39,428
Long-term debt payable	204,299
Beginning net assets	969,726
Ending net assets	985,958
Cash provided by:	
Operating activities	63,943
Noncapital financing	-
Capital financing	(53,265)
Investing	2,068
Beginning cash	43,636
Ending cash	56,382



**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

The defined contribution plan through the John Hancock Life Insurance Company of Charter Township of Kinross is available to elected Township officials, full time employees and other employees designated by the Township Board. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual accounts are to be determined rather than specifying the amount of benefits the individual is to receive. Such benefits depend solely on the amount contributed to the participant's account, the returns earned on investments of these contributions, and the forfeitures of the other participant's benefits prior to vesting. The plan is funded at a rate of 5% of eligible compensation and is available to employees after a period of 4 years, at which time they become vested. Employees may voluntarily contribute 1 to 95% of compensation as established by the Township.

The Plan may be amended yearly by the Township. The Township's current year contribution to the plan amounts to \$53,069. Total wages of participating employees amounted to \$1,048,780 for the year ended March 31, 2007. Total wages for all employees amounted to \$1,531,150 for the year ended March 31, 2007.

**NOTE 12 - LEASES RECEIVABLE**

Charter Township of Kinross is a lessor in numerous lease agreements. The Township recorded revenue from its leases totaling \$129,613 for the fiscal year ended March 31, 2007. The Township's future minimum payments receivable for the leasing of building and land, accounted for as operating leases at March 31, 2007 are as follows:

Leased Asset	Fiscal Year Ending March 31				
	2008	2009	2010	2011	2012 Thereafter
Building 308	\$ 24,659	\$ -	\$ -	\$ -	\$ -
Assembly of God 312	6,000	6,000	5,000	-	-
Building 313-Curves for Women	1,035	-	-	-	-
Building 346	4,676	4,831	4,831	4,831	6,039
Building 354	14,400	14,400	3,600	-	-
Land - Century Tel	1,050	1,050	-	-	-
Tower - Alltel Corp.	10,800	10,800	2,190	-	-
Tower - Cellular One	10,081	10,282	10,488	10,698	3,566
Clubhouse-Frank Lalonde & Sons	3,658	3,658	-	-	-
<b>TOTAL</b>	<b>\$ 76,359</b>	<b>\$ 51,021</b>	<b>\$ 26,109</b>	<b>\$ 15,529</b>	<b>\$ 9,605</b>

## **Required Supplementary Information**

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# Charter Township of Kinross, Michigan

## Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 96,201	\$ 111,201	\$ 113,984	\$ 2,783
Licenses & Permits	-	-	587	587
State Sources	486,000	486,000	503,504	17,504
Charges for Services	1,150	4,650	4,856	206
Interest & Rentals	17,400	23,340	25,970	2,630
Refunds & Reimbursements	7,315	14,315	14,293	(22)
Other Revenue	-	-	4,916	4,916
TOTAL REVENUES	608,066	639,506	668,110	28,604
EXPENDITURES:				
Legislative:				
Township Board	11,800	11,800	10,613	1,187
General Government:				
Supervisor	47,475	39,475	36,537	2,938
Professional	119,111	115,711	99,873	15,838
Elections	4,000	4,000	2,736	1,264
Clerk	42,720	43,376	39,129	4,247
Assessor	2,725	3,525	2,347	1,178
Accounting	33,830	33,830	33,772	58
Treasurer	38,850	32,459	30,825	1,634
Township Hall	35,225	35,225	29,023	6,202
Board of Review	1,575	1,575	1,495	80
Cemetery	5,070	8,670	7,142	1,528
Planning & Zoning	17,700	11,700	10,157	1,543
Total General Government	348,281	329,546	293,036	36,510
Public Works:				
Highways, Streets, & Bridges	2,900	2,900	2,012	888
Total Public Works	2,900	2,900	2,012	888
Capital Outlay	11,000	26,980	18,865	8,115
Other Expenditures	122,024	146,769	127,036	19,733
TOTAL EXPENDITURES	496,005	517,995	451,562	66,433
EXCESS OF REVENUES OVER EXPENDITURES	112,061	121,511	216,548	95,037
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	29,520	60,210	5,400	(54,810)
Operating Transfers Out	(141,581)	(181,721)	(178,912)	2,809
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (29,520)	\$ (60,210)	43,036	\$ 43,036
FUND BALANCE, APRIL 1			541,219	
FUND BALANCE, MARCH 31			\$ 584,255	

# Charter Township of Kinross, Michigan

## Required Supplementary Information Budgetary Comparison Schedule Ambulance Fund For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 43,485	\$ 43,485	\$ 4,726	\$ (38,759)
Local Sources	-	54,000	59,625	5,625
Charges for Services	994,447	994,447	938,603	(55,844)
Interest and Rentals	-	-	26	26
Refunds & Reimbursements	21,000	21,000	27,448	6,448
TOTAL REVENUES	1,058,932	1,112,932	1,030,428	(82,504)
EXPENDITURES:				
Health & Welfare	992,229	1,033,729	952,653	81,076
Capital Outlay	47,000	146,206	-	146,206
Debt Service	13,015	13,015	13,799	(784)
TOTAL EXPENDITURES	1,052,244	1,192,950	966,452	226,498
EXCESS OF REVENUES OVER EXPENDITURES	6,688	(80,018)	63,976	143,994
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	80,206	32,432	(47,774)
Operating Transfers Out	(6,688)	(188)	-	188
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	96,408	\$ 96,408
FUND BALANCE, APRIL 1			85,315	
FUND BALANCE, MARCH 31			\$ 181,723	

# Charter Township of Kinross, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Police Fund For the Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 202,158	\$ 202,158	\$ 203,139	\$ 981
Federal Grants	-	600	600	-
State Grants	5,000	17,077	19,414	2,337
Charges for Services	2,900	2,900	1,649	(1,251)
Interest and Rentals	1,800	1,800	7,202	5,402
Refunds & Reimbursements	29,773	29,773	29,476	(297)
Other Revenue	-	327	1,982	1,655
TOTAL REVENUES	241,631	254,635	263,462	8,827
EXPENDITURES:				
Public Safety	246,836	258,199	248,003	10,196
Capital Outlay	2,500	10,450	7,949	2,501
TOTAL EXPENDITURES	249,336	268,649	255,952	12,697
EXCESS OF REVENUES OVER EXPENDITURES	(7,705)	(14,014)	7,510	21,524
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	7,705	14,014	5,140	(8,874)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	12,650	\$ 12,650
FUND BALANCE, APRIL 1			210,321	
FUND BALANCE, MARCH 31			\$ 222,971	

## **Other Supplementary Information**

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# Charter Township of Kinross, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds March 31, 2007

	Special Revenue Funds					Capital Projects	
	Fire	Property Management	Drug Forfeiture	Road Maintenance Millage	Snowmobile Trail Grooming	Public Improvement	Total
<b>ASSETS:</b>							
Cash & Investments - Unrestricted	\$ 39,476	\$ 187,300	\$ 260	\$ 59,525	\$ 9,675	\$ 73,774	\$ 370,010
Accounts Receivable (Net)	350	-	-	-	-	-	350
Lease Receivable	-	1,668	-	-	-	-	1,668
Due from Governmental Units	-	-	-	96	3,158	-	3,254
Prepaid Expenses	2,561	1,793	-	-	512	-	4,866
<b>TOTAL ASSETS</b>	<u>\$ 42,387</u>	<u>\$ 190,761</u>	<u>\$ 260</u>	<u>\$ 59,621</u>	<u>\$ 13,345</u>	<u>\$ 73,774</u>	<u>\$ 380,148</u>
<b>LIABILITIES:</b>							
Accounts Payable	\$ 2,298	\$ 3,944	\$ -	\$ -	\$ 40	\$ -	\$ 6,282
Other Liabilities	3,583	748	-	-	8	-	4,339
<b>TOTAL LIABILITIES</b>	<u>5,881</u>	<u>4,692</u>	<u>-</u>	<u>-</u>	<u>48</u>	<u>-</u>	<u>10,621</u>
<b>FUND BALANCES:</b>							
Unreserved:							
Undesignated	36,506	186,069	260	59,621	13,297	73,774	369,527
<b>TOTAL FUND BALANCES</b>	<u>36,506</u>	<u>186,069</u>	<u>260</u>	<u>59,621</u>	<u>13,297</u>	<u>73,774</u>	<u>369,527</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 42,387</u>	<u>\$ 190,761</u>	<u>\$ 260</u>	<u>\$ 59,621</u>	<u>\$ 13,345</u>	<u>\$ 73,774</u>	<u>\$ 380,148</u>

# Charter Township of Kinross, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds For the Year Ended March 31, 2007

	Special Revenue Funds					Capital Projects	Total
	Fire	Property Management	Drug Forfeiture	Road Maintenance Millage	Snowmobile Trail Grooming	Public Improvement	
<b>REVENUES:</b>							
Taxes	\$ 5,901	\$ -	\$ -	\$ 74,313	\$ -	\$ -	\$ 80,214
State Sources	14,250	-	-	-	18,181	-	32,431
Charges for Services	2,525	-	-	-	-	-	2,525
Interest & Rentals	2,128	137,181	-	928	27	3,223	143,487
Refunds & Reimbursements	-	1,846	-	-	35	-	1,881
Other	498	-	-	308	-	699	1,505
<b>TOTAL REVENUES</b>	<b>25,302</b>	<b>139,027</b>	<b>-</b>	<b>75,549</b>	<b>18,243</b>	<b>3,922</b>	<b>262,043</b>
Public Safety	53,669	-	336	-	-	-	54,005
Public Works	-	-	-	45,037	-	-	45,037
Recreation	-	-	-	-	11,118	-	11,118
Debt Service	858	-	-	-	-	-	858
Other Expenditures	-	104,285	-	-	-	-	104,285
<b>TOTAL EXPENDITURES</b>	<b>54,527</b>	<b>104,285</b>	<b>336</b>	<b>45,037</b>	<b>11,118</b>	<b>-</b>	<b>215,303</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(29,225)</b>	<b>34,742</b>	<b>(336)</b>	<b>30,512</b>	<b>7,125</b>	<b>3,922</b>	<b>46,740</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Operating Transfers In	38,890	-	-	-	-	-	38,890
Operating Transfers Out	-	-	-	-	(2,500)	-	(2,500)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>9,665</b>	<b>34,742</b>	<b>(336)</b>	<b>30,512</b>	<b>4,625</b>	<b>3,922</b>	<b>83,130</b>
<b>FUND BALANCES, APRIL 1</b>	<b>26,841</b>	<b>151,327</b>	<b>596</b>	<b>29,109</b>	<b>8,672</b>	<b>69,852</b>	<b>286,397</b>
<b>FUND BALANCES, MARCH 31</b>	<b>\$ 36,506</b>	<b>\$ 186,069</b>	<b>\$ 260</b>	<b>\$ 59,621</b>	<b>\$ 13,297</b>	<b>\$ 73,774</b>	<b>\$ 369,527</b>



# Charter Township of Kinross, Michigan

## Combining Statement of Net Assets

### Nonmajor Enterprise Funds

March 31, 2007

	Recreation Center	Parks and Recreation	Chippewa County Fairgrounds	Total
<b>ASSETS:</b>				
Cash & Investments - Unrestricted	\$ 76,485	\$ 7,562	\$ 33,876	\$ 117,923
Accounts Receivable (Net)	-	-	1,572	1,572
Inventory	506	-	-	506
Prepaid Expenses	1,181	-	1,914	3,095
Land & Land Improvements	70,871	95,288	457,428	623,587
Buildings & Building Improvements	212,519	41,036	665,687	919,242
Equipment	45,971	-	72,868	118,839
Accumulated Depreciation	(220,934)	(65,079)	(813,368)	(1,099,381)
<b>TOTAL ASSETS</b>	<u>\$ 186,599</u>	<u>\$ 78,807</u>	<u>\$ 419,977</u>	<u>\$ 685,383</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 2,906	\$ 70	\$ 3,326	\$ 6,302
Due to Governmental Units	11	-	-	11
Other Liabilities	1,131	19	987	2,137
Compensated Absences	1,936	-	-	1,936
<b>TOTAL LIABILITIES</b>	<u>5,984</u>	<u>89</u>	<u>4,313</u>	<u>10,386</u>
<b>NET ASSETS:</b>				
Invested in Capital Assets	108,427	71,245	382,615	562,287
Unrestricted	<u>72,188</u>	<u>7,473</u>	<u>33,049</u>	<u>112,710</u>
<b>TOTAL NET ASSETS</b>	<u>180,615</u>	<u>78,718</u>	<u>415,664</u>	<u>674,997</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 186,599</u>	<u>\$ 78,807</u>	<u>\$ 419,977</u>	<u>\$ 685,383</u>

# Charter Township of Kinross, Michigan

## Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds For the Year Ended March 31, 2007

	Recreation Center	Parks and Recreation	Chippewa County Fairgrounds	Total
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 18,689	\$ -	\$ -	\$ 18,689
Interest & Rentals	2,550	28,370	19,539	50,459
Other Revenue	7,845	-	4,444	12,289
<b>TOTAL OPERATING REVENUES</b>	<b>29,084</b>	<b>28,370</b>	<b>23,983</b>	<b>81,437</b>
<b>OPERATING EXPENSES:</b>				
Salaries & Benefits	66,015	2,446	18,225	86,686
Supplies	4,349	2,052	3,819	10,220
Utilities	15,779	5,323	9,358	30,460
Other Services and Charges	6,668	6,980	11,861	25,509
Repair & Maintenance	2,132	105	3,640	5,877
Depreciation	15,960	4,808	45,639	66,407
Other Expenses	13,234	1,091	1,285	15,610
<b>Total Operating Expenses</b>	<b>124,137</b>	<b>22,805</b>	<b>93,827</b>	<b>240,769</b>
<b>OPERATING LOSS</b>	<b>(95,053)</b>	<b>5,565</b>	<b>(69,844)</b>	<b>(159,332)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest on Deposits	4,883	-	1,888	6,771
Sale of Capital Assets	-	-	(240)	(240)
Unrealized Loss on Investments	858	-	344	1,202
<b>Total Non-Operating Revenues (Expenses)</b>	<b>5,741</b>	<b>-</b>	<b>1,992</b>	<b>7,733</b>
<b>Loss Before Transfers</b>	<b>(89,312)</b>	<b>5,565</b>	<b>(67,852)</b>	<b>(151,599)</b>
Operating Transfers In	91,085	76,053	11,365	178,503
Operating Transfers Out	(76,053)	(2,900)	-	(78,953)
<b>CHANGES IN NET ASSETS</b>	<b>(74,280)</b>	<b>78,718</b>	<b>(56,487)</b>	<b>(52,049)</b>
<b>NET ASSETS, APRIL 1</b>	<b>254,895</b>	<b>-</b>	<b>472,151</b>	<b>727,046</b>
<b>NET ASSETS, MARCH 31</b>	<b>\$ 180,615</b>	<b>\$ 78,718</b>	<b>\$ 415,664</b>	<b>\$ 674,997</b>

# Charter Township of Kinross, Michigan

## Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended March 31, 2007

	Recreation Center	Parks and Recreation	Chippewa County Fairgrounds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from Customers	\$ 28,967	\$ 28,370	\$ 23,806	\$ 81,143
Payments to Suppliers	(49,767)	(15,462)	(27,701)	(92,930)
Payments to Employees	(66,446)	(2,446)	(18,225)	(87,117)
Net Cash Provided (Used) by Operating Activities	(87,246)	10,462	(22,120)	(98,904)
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Operating Transfers In	91,085	76,053	11,365	178,503
Operating Transfers Out	(76,053)	(2,900)	-	(78,953)
Net Cash Provided (Used) by Noncapital Related Financing Activities	15,032	73,153	11,365	99,550
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Transfer of capital assets	76,053	(76,053)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	76,053	(76,053)	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest Income	4,883	-	1,888	6,771
Net Change in Investments	858	-	344	1,202
Net Cash Provided (Used) by Investing Activities	5,741	-	2,232	7,973
Net Increase (Decrease) in Cash and Cash Equivalents	9,580	7,562	(8,523)	8,619
Balances - Beginning of the Year	66,905	-	42,399	109,304
Balances - End of the Year	\$ 76,485	\$ 7,562	\$ 33,876	\$ 117,923
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Loss	\$ (95,053)	\$ 5,565	\$ (69,844)	\$ (159,332)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	15,960	4,808	45,639	66,407
Change in Assets and Liabilities:				
(Increase) Decrease in Assets:				
Accounts Receivable (Net)	199	-	(177)	22
Inventory	(316)	-	-	(316)
Prepaid Expenses	(38)	-	(540)	(578)
Increase (Decrease) in Liabilities:				
Accounts Payable	(7,752)	70	2,858	(4,824)
Due to Other Governmental Units	8	-	-	8
Other Liabilities	177	19	(56)	140
Compensated Absences	(431)	-	-	(431)
Net Cash Provided (Used) by Operating Activities	\$ (87,246)	\$ 10,462	\$ (22,120)	\$ (98,904)

## **Report on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON INTERNAL CONTROL OVER REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Charter Township of Kinross, Michigan  
Kincheloe, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kinross, Michigan, as of and for the year ended, March 31, 2007, which collectively comprise the Charter Township of Kinross, Michigan's basic financial statements and have issued our report thereon dated June 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Charter Township of Kinross, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

Board of Trustees  
Charter Township of Kinross, Michigan  
Kincheloe, Michigan

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter Township of Kinross, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 07-1.

We noted certain matters that we reported to management of the Charter Township of Kinross, Michigan in a separate letter dated June 27, 2007.

This report is intended solely for the information and use of the Board of Directors, audit committee, management, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

June 27, 2007

**Financial Statement Findings**

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**NONCOMPLIANCE WITH STATE STATUES**

**Failure to Distribute Taxes in a Timely Manner**

***Finding 07-1***

*Condition:* We found that the Tax Collection Fund has undistributed taxes owing to various local governmental units as well as the General Fund. The amounts in the Tax Collection Fund are from the various tax levies.

*Criteria:* MCL 211.43 states that taxes collected shall be distributed within 10 business days after the first and fifteenth day of each month.

*Recommendation:* We recommend that all taxes be distributed as stipulated by law. The Township should research the payments made to local units for the various tax levy from both bank accounts and determine to whom the money in the tax account is owed. There should only be a small imprest amount in the tax account, from the General Fund, to keep the bank account open.



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT TO MANAGEMENT**

Members of the Board of Trustees  
Charter Township of Kinross  
Kincheloe, Michigan 49788

We have audited the financial statements of the Charter Township of Kinross, Michigan for the year ended March 31, 2007, and have issued our reports thereon dated June 27, 2007. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Charter Township of Kinross, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Charter Township of Kinross, Michigan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.



### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### **Disagreement with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

### **Comments and Recommendations**

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted one material matter involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with *Government Auditing Standards* of the basic financial statement audit report.

### **CAPITAL ASSETS**

During our testing of capital assets, it was noted that some of the asset's values are changing between years. This causes beginning balances on the software to be different than prior years ending balances. It is recommended that assets are not manually adjusted after they are recorded on the software. Any adjustments should be done as a purchase or deletion.

### **CAPITAL ADDITIONS**

A tractor was disposed of in the current year that was not found on the book asset detail listing for the year, however, the attachments that were on it when it was sold were found on the detail listing. We recommend when adding and disposing of assets they be recorded properly.

## **DISBURSEMENTS**

During our test of disbursements, it was noted that images of canceled checks were not maintained by the Township and they were not available for viewing on-line or from stored data media (CD-ROM). This is in violation of the Michigan State Government Treasury – Uniform Accounting Procedures Manual “Record Retention Requirement” which reads in part (in the prelude to Chapter #1):

“Actual checks must be returned to the local unit. Under the Records Media Act, electronically stored checks should meet this requirement.”

It is recommended that the Township make arrangements with the involved financial institutions to implement one of the three (3) following remedies:

- 1) Have the canceled checks (or the images) returned to the township along with the monthly bank statement.
- 2) Have the canceled check images be made available for on-line viewing (both front & back).
- 3) Have the images of the canceled checks (front and back) transferred to CD-ROM. The CD-ROM would be stored with the Township in order to have the images available for inspection.

## **POSTING TO CURRENT TAX COLLECTION FUND FOR DELINQUENT TAXES**

The Township is recording the collection and/or payment of delinquent personal property taxes, delinquent summer taxes and prior tax years board of review changes to taxes in the current tax collection ledger. We recommend that the treasurer record the activity of other tax years in the funds to whom the tax amounts are owing or being collected for. An alternative would be to record the tax information for other tax years in fund 701, Trust and Agency, for subsequent payment to or reimbursement from the respective funds as shown on the supporting tax documentation.

## **PERSONAL PROPERTY TAXES**

Currently, the Township is not recording the amount of outstanding delinquent personal property taxes that are due to the Township in the general ledger. It is recommended the Township record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The Township should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

## **FRAUD POLICY**

With the implementation of Statement on Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a “fraud policy” which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

**Conclusion**

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing any of the above recommendations, please contact us.

This report is intended solely for the information and use of the Township Board, the cognizant audit agencies and other federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC". The signature is written in a cursive, flowing style.

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

June 27, 2007